

Full Year 2017 MoneyOnMobile Inc Earnings Call

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Corporate Participants

* **Greg Allbright**

MoneyOnMobile, Inc. - Head of Global Communications

* **Harold H. Montgomery**

MoneyOnMobile, Inc. - Chairman, CEO and Secretary

* **Scott S. Arey**

MoneyOnMobile, Inc. - CFO

Presentation

([Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications](#))

Okay. Good. Thank you all for joining us. Let's get started. My name is Greg Allbright, Head of Global Communications for MoneyOnMobile. And thank you all for joining us for the MoneyOnMobile earnings call covering our fiscal year 2017, which closed on March 31, 2017. Just for your information, this call is being recorded. A transcript -- video of this presentation will be made available soon after this presentation has ended.

You can find the presentation for today's call at moneyonmobile.webex.com right now, if you're on audio. One more time, that's moneyonmobile.webex.com. At the end of this call, we will be going through questions and answers. To submit a question, please enter it into the question box via WebEx, either chat or Q&A. For those of you joining the call via the -- your phone, you can e-mail us a question at investors@moneyonmobile.in, as in India. Again, that e-mail is investors@moneyonmobile.in, as in India. And we will be checking that e-mail regularly throughout the presentation.

Now I'm going to read the safe harbor provision. This presentation and comments made by management may contain forward-looking statements that involve a number of risks and uncertainties associated with our business. The factors that could cause our actual results of operations to differ materially from any forward-looking statements by our management are detailed in our most recently filed Form 10-K or 10-Qs as applicable. We undertake no obligation to revise any of these statements to reflect future circumstances or the occurrence of unanticipated events. In light of the foregoing, leaders are cautioned not to place undue reliance on such forward-looking statements. This presentation does not

constitute an offer to sell or solicitation of offers to buy any securities of any entity. It is now my pleasure to introduce MoneyOnMobile's Chairman and CEO, Harold Montgomery, who will begin our presentation. Harold?

[\(Harold H. Montgomery, MoneyOnMobile, Inc. - Chairman, CEO and Secretary\)](#)

Thanks, Greg. Hello to everyone, and thank you for joining us this morning. This is Harold Montgomery. I'm the Chairman and CEO of MoneyOnMobile, Inc. And welcome to MoneyOnMobile Inc.'s earnings call, which accompanies the release of our 10-K report for the fiscal year ended March 31, 2017.

Also with me today at our Dallas, Texas headquarters is Scott Arey, our Chief Financial Officer, who will be speaking later. But before we focus on the financials, I'd first like to give a brief operational overview about -- and discuss some results to date. For the benefit of shareholders who may be new to our company, MoneyOnMobile is a payment network catering to India's vast unbanked and underbanked population with everyday transactional services. The unbanked population are those who do not have a bank account at all and transact all their daily business in cash. The underbanked population are those who have a bank account but have no banking facilities such as a branch or ATM within reach and need financial services to access their funds.

MoneyOnMobile allows consumers to deposit cash with one of our retailers. The consumers' cash deposit becomes digital currency in our computerized records, just as if the consumer had made a deposit at the bank. Then the consumer or the retailer acting on behalf of the consumer can perform a financial transaction such as bill payment or money transfer using only the mobile phone and SMS text messaging. The consumer can also withdraw cash from a bank account using our system. In this way, we are taking basic transaction of banking services to those who cannot access them. The system is faster, more reliable, cheaper and much easier to use than transacting in all cash. The Indian market is the largest underbanked population in the world with approximately 600 million to 800 million individuals. And now, we've grown to be India's largest mobile money system.

As of March 31, 2017, we have over 350,000 participating agents where consumers can load cash, offering services in 700 cities across India. Consumers have the ability to perform over 55 different transaction types, including various bill payments and domestic remittances. As of March 31, we have served over 198 million cumulative unique mobile phone number users, and we have processed almost \$1.8 billion worth of transactions. Now I'd like to turn it over to Scott Arey, our Chief Financial Officer, to present the financial results for the quarter ending March 31, 2017, and the year ended on March 31, 2017. Scott?

[\(Scott S. Arey, MoneyOnMobile, Inc. – CFO\)](#)

Thanks, Harold. I'd like to present the financial overview, talk about the trends in revenue, gross margin and operating losses in India. As we've stated in our prior quarterly earnings calls, 2017 fiscal year has been a retooling year with a focus on increasing margins, expanding utilization of the distribution network of hundreds and thousands of agents that

were created in prior years and by so doing, driving the company towards operating profitability.

For the year ended March 31, 2017, while revenues dropped \$2 million or 32.3%, our gross profit declined only 17.9% and the gross profit margin was an increase of almost 10 points going from 46.1% in 2016 to 55.9% in fiscal 2017.

In addition to our retooling efforts, the past year's performance was also negatively impacted by demonetization and the promotional efforts of a large new entrant into the India cellphone market. First let's talk about demonetization.

On November 8, 2016, Indian Prime Minister, Modi, unexpectedly announced the demonetization of the INR 500 and INR 1,000 banknote, those in circulation. The Prime Minister declared that all such banknotes would be immediately invalid for commercial purposes and would need to be exchanged for new notes at the bank before December 30, 2016. There were several purposes behind this decision. One was to purge the currency of counterfeit notes. Another was to trap money received through off-the-record untaxed cash transactions, known as black money in India. By invalidating illicit cash stored in homes and offices, the government has taken a bold and sweeping step towards eradicating black money at its main sources. Old notes were replaced with new INR 500 and INR 2,000 notes. Demonetization was completed at the end of December.

As shareholders probably know, India's economy runs on cash with an estimated 90-plus percent of all transactions occurring in cash, even for large purchases such as cars, jewelry and real estate. While consumers could deposit the old notes into the bank accounts, the government set restrictions on the amount of cash that could be withdrawn every day. At the beginning of the process, the daily limit was about INR 2,000 where INR 2,000 is about USD 30. This resulted in long lines at bank branches and ATMs across the country as you can see from this picture on the slide shown.

These long lines made it hard for our agents to deposit their daily cash collections at banks, which reduced the amount that they could process with us. It also resulted in an overall cash shortage for consumers, which meant that consumers used less of our services. Overall, the currency demonetization had a negative impact on our revenues and processing volumes, but since the end of demonetization, the company has been recovering strongly, and we'll share more about our recent growth in a moment.

Another element that negatively affected our results for prepaid mobile top-up sales and prepaid television sales was the entrance of Reliance Jio into the market with a new service and free introductory pricing promotion. Reliance is a large corporation in India with multiple lines of business. They introduced the country's first 4G service and offered it to consumers for free in an attempt to build market share quickly. This pricing had the effect of drawing tens of millions of customers into the Jio service and driving down pricing from other services. Our revenues and volumes for mobile phone and TV recharges suffered along with the rest of the market. Kleiner Perkins conducted a survey, which found that over a 6-month period, the cost of 1 gigabyte of data dropped 39% in India. Over that same period, MoneyOnMobile's combined revenue lines from mobile top-up and TV saw a drop of 36%.

Looking at the next slide. Since the end of demonetization, we've had a very positive growth trend happening over the recent 6-month period, and we'd like to talk about that growth and what's driving the growth. First, as you can see from the chart here, our April, May and June revenue numbers have grown noticeably compared to the previous months. April revenue was up 6% over March, our May revenue saw a [43%] increase from April, and we saw a 5% increase in revenue from May to June.

Going to the next slide. This chart breaks out some of our major revenue categories to tell the story of what's been happening with our business over the last 6 months. Percentage figures are based on the change in revenue from the previous month. For example, for the June 2017 domestic remittance MOM ATM revenue, a percent increase of 15% is shown, which means that from May to June that category saw a revenue growth of 15%.

What you see from the chart is that MOM ATM and domestic money transfer has seen positive growth, and the impact of Jio free airtime giveaway has depressed our growth in the mobile top-up and DTH categories.

Going to the margin slide. Finally, if we look at the last 6 months of gross margins, there is more shown here. We see a continuation of the positive trend shown in the annual figures as the company has gone from a 55.3% margin in December of 2016 to last month's margin of 61.1%. This is caused by the diversification of products and process improvements with more of the company's resources devoted to money transfer and less to the lower-margin, but higher-revenue products such as cellphone top-up and DTH. As previously mentioned, the company is still in an operating loss position. The comprehensive operating loss, which we reported on our 10-K, is \$13.4 million for the year ending March 31, 2017, as compared to \$21.1 million for the previous fiscal year. This improvement is the -- is reflective of management's determination to bring the company to a point where we can demonstrate profitability during the next fiscal year. I will now turn back to Harold to do a deeper dive into the impact of MOM ATM and Domestic Remittances and the affect they're having on our businesses and what it means for the remainder of the year. Harold?

[\(Harold H. Montgomery, MoneyOnMobile, Inc. - Chairman, CEO and Secretary\)](#)

Thank you, Scott. As we mentioned earlier in the call, the near-term effect of the government's demonetization policy was a negative for MoneyOnMobile processing volumes and revenues in the near term. However, demonetization also presents great opportunities for the company to grow and serve the needs of our customers. Because of demonetization and the resulting long bank queues, we've accelerated the launch of our MOM ATM product, which we announced in January. The MOM ATM is a small handheld card swipe device that connects to a smart -- on a smartphone using Bluetooth communication technology. Installing a MOM ATM in one of our locations allows our merchant to become a cash-out point for anyone with a bank account. And this service has proved popular in regions where customers have a bank account, but no bank or ATM nearby. We refer to this population as the underbanked population in India. As the government pushes money into bank accounts because of demonetization and other policy changes, consumers are looking for ways to access their funds and avoid long trips to the bank and the long bank queues. Keep in mind that the MOM ATM is not a large machine

anchored into a wall that is so familiar to us in the U.S., rather it's a simple low-cost handheld device. As a refresher, here's how the MOM ATM works. Consumers who have a bankcard of some type, a debit card for example, can swipe the card through the terminal and make purchases from the merchant or withdraw actual cash from the retailer. In the case of a cash withdrawal, the cash is coming from the retailer's till. In this way, the placement of the MOM ATM completes the cash cycle for MoneyOnMobile and makes our system more efficient. Consumers buy mobile top-up for cash and increase the retailers' cash supply, then a customer withdrawing cash brings the balance down again. In this way, the retailer becomes the cash recycling point, taking cash in from one customer and giving it out to another and that helps the entire local community.

MoneyOnMobile is the settlement network for these transactions and credits the amount to the retailers' MoneyOnMobile account.

To give you an idea of the market for the MOM ATM, let me give you some background data. There are 200,000 ATMs in India, many of which are often not operating in any given moment in time for a variety of reasons. For India to have the same level of saturation of ATMs as the United States, the country would require over 2 million more ATMs. Demand for ATMs is quite high in India, and we believe our mobile wireless ATM device is the ideal technology platform for a market that is ripe for growth. The MOM ATM is low cost, does not require a physical placement and works with any smartphone. Over the last 5 months, our Domestic Remittance in MOM ATM revenue lines has seen a 39% compounded growth rate, and that's very exciting to us. For domestic transfers, we believe that in addition to the high demand, a key driver is getting retailers to preload their accounts with additional cash to prepare for the weekend periods, which are the busiest times. Preloading retailer deposits ensures that we have sufficient capacity to process as many transactions as possible given the demand.

Another important factor has been the addition and subsequent expansion of a line of credit facility through YES! Bank, which is dedicated to our domestic transfer business. This important line of credit serves as additional working capital that is used during our heaviest and busiest periods to financially back our transactions, while the banks are closed over nights and weekends.

Finally, the feedback we've received from our retailers is that providing consistency of service over an extended period of time has increased their confidence in our platform and our service, and it makes us their top choice for performing these transactions. That concludes my operating report. And now I think we'll go to Q&A.

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Questions and Answers

[\(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications\)](#)

Thank you, Harold. And thank you all for submitting your questions. As I said before, if you have questions that you would like to submit, please send them in the chat or Q&A box. Also if you would like to have more details about the company, please take a moment to visit our website at investors.moneyonmobile.in. There you can also sign-up for a monthly e-mail in which we highlight other changes in the business.

Scott, our first question is for you. What is our current cash position and burn rate?

(Scott S. Arey, MoneyOnMobile, Inc. – CFO)

Burn rate in India is currently about USD 200,000 a month and declining. We anticipate being able to raise sufficient capital to support that until the company is cash flow positive

(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications)

Okay, thanks. Harold, this next question is for you. When do you plan to uplift?

(Harold H. Montgomery, MoneyOnMobile, Inc. - Chairman, CEO and Secretary)

As our investors know, we're listed on the OTCQX, and it's long been a stated objective of the company to uplift. We are targeting an uplift in this calendar year, but unfortunately, we can't be specific about the timing as there are a lot of parties involved in an uplifting, including the exchange itself, and we've had dialogue with the exchange and our -- their view of us is favorable as a candidate to uplift. So we're working on it, and we'll keep investors informed of our progress.

(Scott S. Arey, MoneyOnMobile, Inc. – CFO)

And just to clarify, that's an uplift to the NASDAQ, right.

(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications)

Okay, thanks, Harold. Scott, this next question is for you. When will you be profitable?

(Scott S. Arey, MoneyOnMobile, Inc. – CFO)

We expect to demonstrate profitability before the end of the calendar year. What I mean by that is that we will have achieved at least one day before the end of the year where on a fully loaded basis, we will be profitable in India. Demonstrating profitability and being cash flow positive is a key plank of our current strategy.

(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications)

Thanks, Scott. Scott, another question for you. You all have been releasing monthly revenue updates for the last 3 months. Will you continue this?

(Scott S. Arey, MoneyOnMobile, Inc. – CFO)

Yes. We'll continue to release monthly revenue updates. For the last 3 financial quarters, the revenue of the company as reported has been calculated on a bottoms-up basis by summing millions of individual transactions as opposed to just looking at and verifying the sum totals of those transactions on our books. The rigor of this type of regime enables us to produce the monthly updates that we've putting out, and we will continue to do so.

[\(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications\)](#)

Thank you, Scott. Harold, this next question is for you. How well MoneyOnMobile addressed the growing threat of competition?

[\(Harold H. Montgomery, MoneyOnMobile, Inc. - Chairman, CEO and Secretary\)](#)

Most of the payment activity in India is focused on the banked population, meaning people who have a smartphone and a bank account, and they function -- most of these efforts function as if they're Apple Pay, similar structure to Apple Pay, meaning they're front-end for existing payment tools. MoneyOnMobile is not seeing concerted nationwide competition in the unbanked market at this time. There are local vendors who tend to pop up, but they tend to be undercapitalized, and they don't seem to last very long. Our goal is to dominate the cash substitution market in the unbanked sector, and so far, that footprint that we have nationally seems to be the leading footprint in the country, and our goal is to maintain that. I think size and scale are the barriers to entry here, and we need to keep building those.

[\(Greg Allbright, MoneyOnMobile, Inc. - Head of Global Communications\)](#)

That concludes the Q&A portion of our presentation. Thank you for -- to everyone for participating in this call and your continued support of the business. Again, we will have this presentation available on our website. Please look for updates regarding when that is going to be made available. And again, if you have any questions following this presentation, you can e-mail us at investors@moneyonmobile.in. That's investors@moneyonmobile.in. Thank you, again, and have a good day.